

Idaho Public Utilities Commission

Case No. IPC-E-13-16, Order No. 32857

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PUC begins review of Idaho Power coal plant upgrade request

Idaho Power Company is asking state regulators to grant a certificate that would allow the utility to include about \$130 million in its rate base for emissions control improvements to two of the four generating units at the Jim Bridger coal-fired power plant near Rock Springs, Wyo.

Idaho Power has one-third ownership of the plant, which it calls the “workhorse” of its thermal fleet, with a nameplate capacity of 771 MW. Idaho Power’s total nameplate capacity is about 3,600 MW.

The utility is seeking a commission order granting a Certificate of Public Convenience and Necessity (CPCN) by no later than Nov. 29. The commission has started processing the application by issuing an Aug. 2 deadline for parties who want to intervene in the case for the purpose of presenting evidence and cross-examining witnesses. Intervenors already include the Idaho Conservation League, the Snake River Alliance and the Industrial Customers of Idaho Power. Public comment deadlines and hearing dates will be announced later.

Granting the certificate does not immediately impact customer rates, but provides a binding commitment from the commission to Idaho Power that the PUC will provide rate treatment for amounts up to the company’s commitment estimate. Should the project come in over the commitment estimate, Idaho Power would have to demonstrate that the amounts above the estimate were necessary and prudently incurred. If allowed, the projected \$130 million would not be recovered at once but amortized over several years. Idaho Power estimates that the Idaho portion of rates would increase the utility’s annual revenue requirement by about \$18.8 million.

Idaho Power seeks the binding ratemaking treatment “because of the magnitude of the investment and the uncertainty surrounding coal-fired generation in today’s political and social environment.” The utility said it does not believe Idaho law requires a CPCN for plant upgrades such as this but “requests a CPCN so that a public process is initiated to provide the company, commission and interested parties a regulatory forum to fully vet these contested issues.” Typically, a CPCN is granted for new power plants or major transmission expansion and generally not for improvements to existing plant.

Idaho Power maintains the emissions improvements to the coal plant are needed to comply with Wyoming state regulations and anticipated federal regulations. The Environmental Protection Agency has indicated it will sign a notice of final

rulemaking on Nov. 21, making the emissions reduction requirements federally enforceable. The company says that if the upgrades are not installed within the EPA timeframe, it would be forced to stop generating from the two Bridger units. "Unlawfully operating the units in violation of federal and state regulations is not an option for Idaho Power," said Lisa Grow, senior vice president of power supply, in testimony filed at the commission.

The improvements would include the installation of catalytic reduction controls to reduce nitrogen oxide emissions on two of the Bridger generating units.

PacifiCorp, which is the two-thirds owner of the plant, has received preliminary approval from the Utah and Wyoming commissions for its share of the coal plant improvements.

Idaho Power claims it considered other options, including replacing the Bridger output with natural gas-fired generation, increasing demand-side measures, converting the North Valmy coal plant (284 MW) to natural gas, and completion of the Boardman to Hemingway transmission line. The company claims the Bridger upgrades are the least-cost option. It says the Bridger plant has the lowest dispatch cost of Idaho Power's thermal generation fleet.

To read Idaho Power's application and accompanying testimony, go to www.puc.idaho.gov and click on "Open Cases" under the Electric heading. Scroll down to Case No. IPC-E-13-16.

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